



**SANDRA SHEWRY**  
Director

State of California—Health and Human Services Agency  
**Department of Health Services**



**ARNOLD SCHWARZENEGGER**  
Governor

July 30, 2004

**To: Smaller Water Systems**

**Safe Drinking Water State Revolving Fund Program –  
Special Notice to Regarding Federal Cross Cutting Requirements**

The SDWSRF is federally funded (approximately 80 percent of funds are grants awarded to the California SDWSRF by the USEPA); therefore various federal requirements must be met by most SDWSRF funded projects. However, since the State must provide matching funds to the California SDWSRF loan fund, the SDWSRF can exempt certain projects from conforming with federal cross-cutting requirements. In most cases, systems with less than 1,000 service connections, with projects below \$500,000, will not be required to meet these federal requirements.

The majority of federal cross-cutting requirements are considered "environmental requirements," and impact the environmental review process. The major state environmental requirements are identified in CEQA (California Environmental Quality Act). Additional, and/or different federal requirements are identified in the NEPA (National Environmental Policy Act), and related laws. Other federal cross-cutting requirements relate to economic or social policies including the federal MBE/WBE (Minority Business Enterprise / Women Business Enterprise) requirements to ensure that these firms have the opportunity to compete to participate in federally funded projects. There is no state equivalent to this federal requirement.

Since the SDWSRF has only limited funds exempt from federal cross-cutters, not all systems of less than 1,000 service connections may be exempted from federal cross-cutting requirements. The final decision on exemption/non-exemption from federal cross-cutting requirements will be made by SDWSRF Headquarters based on funding availability and other eligibility criteria. If all available exempt funds have been used for the current year, the water system may elect to meet the federal requirements, or may by-pass, and apply in a subsequent funding year.

If you have any questions concerning the applicability of federal cross-cutting requirements to your project, please contact the Drinking Water Program District Engineer for your county.

Sincerely,

Robin R. Hook, Chief  
Safe Drinking Water State Revolving Fund  
and Small Water System Section